

---

The South Carolina  
Department of Consumer  
Affairs presents:

CREDIT 101

---

# First, a word from our sponsor

---

- ❑ South Carolina Department of Consumer Affairs
  - ❑ Mission: To protect consumers from inequities in the marketplace through advocacy, mediation, enforcement and education
-

# CREDIT 101

---

- ☐ Understanding your credit report
  - ☐ Self-help credit repair
  - ☐ Credit counseling
-

# Credit Report

---

- ☐ Contains information about your credit history, address, place of employment
-

# Credit Report Tidbits

---

- ❑ Lenders generally look at the last two years – they are looking for trends
  - ❑ Some estimates show 80% of credit reports have misinformation
  - ❑ You are entitled to a free report if negative action has been taken due to something on report
  - ❑ The three major credit reporting agencies may have different information – so your score may be different at each agency
-

# Credit Scores

---

- ❑ Predictors of future payment
  - ❑ Lenders base approval and interest rate on the score
  - ❑ Several names are used, most frequently it is called FICO
  - ❑ Lowest possible FICO is 300 – highest is 850
  - ❑ New name: Vantage – consists of a number and a letter grade
-

# How The Number Is Figured

---

- ☐ Payment History (35%)
  - ☐ Length of credit history (15%)
  - ☐ New credit (10%)
  - ☐ Types of credit used (10%)
  - ☐ Debt (30%)
-

# Free Annual Credit Report

---

- ☐ You are entitled to a free copy of your credit report annually
  - ☐ [www.annualcreditreport.com](http://www.annualcreditreport.com)
  - ☐ 877-322-8228
-



# How To Read The Report

---

- Usually divided into four sections:  
identifying information, credit history,  
public records, and inquiries
-

# Identifying Information

---

- ❑ Includes current and previous addresses, date of birth, telephone numbers, driver's license number, employer and spouse names
  - ❑ Review carefully – sometimes incorrect information may indicate attempted or actual identity theft
-

# Credit History

---

- ☐ Credit accounts are listed - may be referred to as trade lines
  - ☐ Name of creditor and account number
    - When you opened the account
    - Kind of credit
    - Individual or joint
    - Total amount of loan/high credit
    - How much presently owed
    - Fixed monthly payment/minimum monthly payment
    - Status
    - How well you have paid
-

# Public Records

---

- ☐ Best if this section is blank!
  - ☐ Financial-related data: bankruptcies, judgments, tax liens
  - ☐ Does not include criminal activities or arrests
-

# Inquiries

---

Two sections under this heading

- “Hard” inquiries – consumer initiates this by filling out credit application
  - “Soft” inquiries – companies want to send promotional information to pre-qualified groups – or – current creditors who are monitoring your account
-

# Impact of Inquiries on Your Score

---

- ☐ Not much
  - ☐ Usually ignores inquiries within the last 30 days of getting a mortgage or a vehicle loan
  - ☐ Counts two or more “hard” inquiries in the same 14 day period as just one inquiry
-

# Reviewing Your Credit Report

---

- ☐ Date of last activity: Last payment made (plus 30 days). If more than 7 years, delete.
  - ☐ Accuracy of information: amount owed, when last payment made, status, payment history
  - ☐ Is it your debt?
  - ☐ Any other issues or disputes?
-

# Credit Report Reality

---

- ☐ No one can remove information that is accurate and timely
  - ☐ You can request an investigation of information that is inaccurate
  - ☐ You are entitled to a free credit report if you have been denied credit, insurance or employment based on an item on your credit report
  - ☐ Disputes are free
-



# How To Dispute

---

- ☐ Send letter to credit reporting agencies as well as company that provided the information
  - ☐ Clearly identify yourself – use report ID number, if available
  - ☐ Be specific as to inaccuracy
  - ☐ Explain why it is in error
  - ☐ State how it needs to be corrected
  - ☐ Keep copy of letter
-

# If Your Dispute is Not Resolved

---

- ☐ You have the right to place information in your report, 100 words or less, explaining why you dispute the item
  - ☐ You can go to court – must be done within 2 years of item appearing on report
-

# Avoid Credit Repair Scams

---

- ☐ The company claims that they will help you repair your credit
  - ☐ You pay hundreds or thousands of dollars
  - ☐ The company is not able to accomplish what they claim
-

# Warning Signs

---

- ☐ The company demands payment prior to any services
  - ☐ They do not tell you about your legal rights and what you can do for yourself (for free)
  - ☐ They encourage you to cease all contact with your creditors
  - ☐ The company suggests that you create a new credit report or identity by applying for an employer ID number
  - ☐ They suggest that you dispute all items on your report and/or take action that might be illegal
-

# Questions to Ask BEFORE Signing a Contract

---

- ☐ Are you licensed with the SC DCA?
  - ☐ What are the qualifications of your counselors?
  - ☐ What services do you offer?
  - ☐ What are your fees?
-

# Requirements of the Contract

---

- ❑ Company must provide written disclosures: your right to dispute inaccurate information and that accurate information cannot be removed until it is 7 years old. Judgments remain for 10 years.
  - ❑ Written confirmation of specific payment information, how long payments must be made, description of services provided
  - ❑ You must be told you have 3 days to rescind the contract
-

# If You Have Been Defrauded by a Credit Repair Company

---

- ☐ Contact the South Carolina Department of Consumer Affairs to file a complaint
  - ☐ Contact the Federal Trade Commission to file a complaint
  - ☐ See an attorney. The statute allows for attorney's fees to be awarded through a successful action.
-

# Self Help May Be The Best Help

---

## ☐ Take control of your finances

- Review your debt

- Keep a log of your spending

- Cut spending

- Pay more than the monthly minimums

- Create a budget – and stick to it

---



# Repayment and Elimination of Debts

---

Prioritize repayment: many theories

- Pay off smaller debts first

- Pay off high interest credit cards first

When a card is paid off, close the account

---

# Other Ideas

---

- ❑ Contact your creditors on your own to set up alternative payment arrangements.

Some companies have divisions that assist debtors.

Try to work out a payment plan, but get it in writing and follow through

---

# If You Have “Old Debt”

---

- ❑ Statute of limitations for unsecured credit accounts: 3 years from delinquency
  - ❑ Statute of limitations on store credit cards: 6 years from date of delinquency
  - ❑ Negative items remain on credit report: 7 years from date of delinquency
  - ❑ It is possible to revive old debts! Any payment (cash, electronic, credit card, checks) or other acknowledgment in writing will start the statute of limitations running again!
-

# Avoid a Predatory Loan

---

- ☐ Shop around
  - ☐ Ask questions
  - ☐ Ignore high pressure tactics
  - ☐ Look at all aspects of the loan – not just the monthly payment
  - ☐ NEVER sign papers that are not true and accurate
  - ☐ Be wary of promises to refinance in the future
-

# New Identity Theft Legislation

---

- ❑ Beginning December 31, 2008 South Carolina consumers can place security freeze on their credit reports
  - ❑ This means the report cannot be accessed without consumer's permission
  - ❑ **No cost** to place, thaw or remove a security freeze
-

# Resources

---

- ❑ [www.scconsumer.gov](http://www.scconsumer.gov)
  - ❑ [www.ftc.gov/consumer](http://www.ftc.gov/consumer)
  - ❑ [www.bankrate.com](http://www.bankrate.com)
  - ❑ [www.moneycentral.msn.com](http://www.moneycentral.msn.com)
  - ❑ <http://www.fdic.gov/quicklinks/consumers.html>
-